

SCHAFER GROUP, LTD.

**CARTER PLANTATION COMMUNITY
DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS
AND OTHER SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2011

**CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY**

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
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JUNE 30, 2011

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SCHAFER GROUP, LTD.

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INDEPENDENT AUDITORS' REPORT

Carter Plantation Community Development District
P.O. Box 1402
Springfield, LA 70462

We have audited the accompanying financial statements of the business-type activities and each major fund of the Carter Plantation Community Development District (the "District"), a component unit of Livingston Parish Council, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the business-type activities and each major fund of the District as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 14, the District has negative net assets (liabilities exceed assets) of \$3,897,458 as of June 30, 2011. The District had only \$61,410 in unrestricted cash and \$531,924 in restricted cash, which is not sufficient to meet its operating needs or meet its debt service requirements. The District has been unable to make timely payments to the operator of the sewer and water operations, has used funds in debt service reserve to pay interest on the outstanding bonds and have failed to make scheduled interest and principal payments during the current year. The District's inability to generate operating capital and meet its debt requirements creates a substantial doubt about the District's ability to

continue as a going concern. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section II be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying information listed as Other Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplemental Information is the responsibility of management and was derived from and relate to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Sincerely,



Kernion T. Schafer
Managing Member

June 25, 2012

REQUIRED SUPPLEMENTAL INFORMATION
Management's Discussion and Analysis

SCHAFER GROUP, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2011

Our discussion and analysis of the Carter Plantation Community Development District's (the "District") financial performance provides an overview of the District's financial activity for the year ended June 30, 2011. It should be read in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ending June 30, 2011 include the following:

- The liabilities of the District exceeded its assets at June 30, 2011 by \$3,897,458 (negative net assets). The majority of this amount is related to bonds payable; and
- The District's total net assets decreased \$1,431,955; with Operating Revenues of the District of \$ 327,776 and Operating Expenses of \$ 266,769 for 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

MD&A. The MD&A is intended to serve as an introduction to the District's basic financial statements which are the financial statements and the notes to the financial statements.

Proprietary Fund Financial Statements. The Statement of Net Assets presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets help determine whether financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets provides information that shows how the District's net assets changed as a result of the year's activities. The statement uses accrual basis of accounting, similar to private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs, regardless of when the cash is received or paid.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund and it is categorized as a proprietary fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

Statement of Net Assets. The following table reflects a condensed Statement of Net Assets as of June 30, 2011 and June 30, 2010.

	June 30, 2011	June 30, 2010 (Restated)
Assets		
Current Assets	\$ 614,468	\$ 560,422
Capital Assets (Net)	15,251,315	15,626,189
Other Noncurrent Assets	17,057,066	17,042,990
Total Assets	<u>32,922,849</u>	<u>33,229,601</u>
Liabilities		
Current Liabilities	9,131,567	5,951,364
Noncurrent Liabilities	27,688,740	29,743,740
Total Liabilities	<u>36,820,307</u>	<u>35,695,104</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	(2,215,105)	(1,730,252)
Restricted for Debt Service	-	-
Restricted for Capital Projects	-	-
Unrestricted	<u>(1,682,353)</u>	<u>(735,251)</u>
Total Net Assets	<u>\$ (3,897,458)</u>	<u>\$ (2,465,503)</u>

Current liabilities increased primarily due to a payables related to assessment collection fees payable and assessment refunds payable due to current year forbearance agreements in place as well as an increased interest payable due to an accumulation of unpaid interest deferred by the forbearance agreements. Assessments receivable and deferred revenue remained the same because there were no prepayments of the related special benefit assessments.

Statement of Revenues, Expenses and Changes in Net Assets. The following table reflects a condensed Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2011 and June 30, 2010.

	2011	2010 (Restated)
Operating Revenues		
Water	\$ 33,795	\$ 40,154
Sewer	29,282	20,095
Maintenance Assessments	262,500	-
Interest on Maintenance Assessments	2,199	-
Total Operating Revenues	<u>327,776</u>	<u>60,249</u>
Operating Expenses		
Bad Debt Expense	101,000	-
Utility Services - Water	61,707	39,512
Utility Services - Sewer	51,580	22,436
Depreciation Expense - Water	25,011	25,012

Depreciation Expense - Sewer	27,471	27,471
Total Operating Expenses	266,769	114,431
Total Operating Income (Loss)	61,007	(54,182)
Nonoperating Revenues		
(Expenses)		
Nonoperating Revenues	16,118	35,247
Depreciation Expense - Infrastructure	(322,392)	(322,391)
Debt Service - Interest	(1,075,685)	(1,075,685)
Other Nonoperating Expenses	(111,003)	(125,441)
Total Nonoperating Revenues	(1,492,962)	(1,488,270)
(Expenses)		
Change in Net Assets	(1,431,955)	(1,542,452)
Net Assets, Beginning of Year	(2,460,144)	(923,051)
Net Assets Prior Period Adjustment	(5,359)	-
Net Assets, Restated Beginning	(2,465,503)	(923,051)
Net Assets, End of Year	\$ (3,897,458)	\$ (2,465,503)

Maintenance assessments were levied during the 2011 fiscal year and not in the 2010 fiscal year. There were no collections on lot assessments in 2011 or 2010. Bad debt expense of \$101,000 was recorded in 2011 related to the maintenance assessments levied during the 2011 fiscal year. Interest expense increased primarily due to the accumulation of unpaid interest on bonds deferred by forbearance agreements in place during the 2011 fiscal year.

Budgetary Highlights. In 2011, the District's revenues failed to meet budgeted revenue by \$1,579,906 while actual expenses were lower than budgeted amounts by \$519,197. These budget variances created a net unfavorable change in net assets variance of \$1,060,709 for the 2011 fiscal year.

Capital Assets. The District's investment in capital assets, net of depreciation was \$15,251,315 at June 30, 2011. There were no additions or disposals of capital assets in the current year and the change from the prior year relates to current year depreciation of the capital assets.

Long Term Debt. In 2004, the District issued \$6,810,000.00 Series 2004 Special Assessment Bonds. In 2005, the District issued \$15,000,000.00 Series 2005A Special Assessment Bonds and \$1,770,000.00 Series 2005B Special Assessment Bonds (collectively "Bonds"). These Bonds were issued to fund the construction, installation and acquisition of master infrastructure improvements in the District.

On September 1, 2010, the District entered into a Forbearance Agreement with Hancock Bank of Louisiana, Trustee, as it relates to the Series 2005A and 2005B Bonds. Under this Forbearance Agreement, the Trustee (acting at the direction of the Directing Bondholders) agrees to forbear from the exercise of any rights or remedies under the Bond Documents

arising by reason of defaults specified in the agreement. The period of forbearance commenced on the date of the agreement and terminates on the earlier of: 1) June 1, 2011; or 2) the occurrence of any Forbearance Termination Event as defined in the Forbearance Agreement. As a condition of the agreement, the District agreed that it would not attempt to impose assessments with respect to the 2005 Bonds through the calendar year 2011. On August 26, 2011 an amendment to this forbearance agreement was signed which effectively continued the forbearance period until June 1, 2012 except that the condition of the agreement not to impose assessments through calendar year 2011 was extended through calendar year 2012 on all lots except for 25 lots excluded and to be assessed.

On August 26, 2011, the District entered into a Forbearance Agreement with Hancock Bank of Louisiana, Trustee, as it relates to the Series 2004 Bonds. Under this Forbearance Agreement, the Trustee (acting at the direction of the Directing Bondholders) agrees to forbear from the exercise of any rights or remedies under the Bond Documents arising by reason of defaults specified in the agreement. The period of forbearance commenced on the date of the agreement and terminates on the earlier of: 1) June 1, 2012; or 2) the occurrence of any Forbearance Termination Event as defined in the Forbearance Agreement. As a condition of the agreement, the District agreed that it would not attempt to impose assessments with respect to the 2004 Bonds for the payment of accrued interest due and owing through calendar year 2012, or for the replenishment of the Debt Service Reserve Fund, except with respect to 27 lots and 3 undivided assessed areas (CP-3 and CP-1A, CP2-4, Bulk lot assessment 456301) excluded and to be assessed.

As of June 30, 2011, \$18,495,000.00 (exclusive of cost of issuance and bond discount cost) was outstanding on the bonds. No principal or interest on the outstanding Bonds was paid in fiscal year 2011.

CURRENT AND EXPECTED CONDITIONS

As of June 30, 2011, the District had negative net assets of \$3,897,458. The District had only \$61,410 in unrestricted cash and \$531,924 in restricted cash which is not sufficient to meet its operating needs or meet its obligations related to the Bonds. The District has used funds in the debt service reserve to pay interest on the outstanding Bonds in previous years and this amount has not been replenished. There were no lot sales in the District for this fiscal year or the prior fiscal year. The District continues to have a deficiency in the debt service reserve funds of all of the bond issues. As discussed above, the District has entered into forbearance agreements and levied maintenance assessments in fiscal year 2011. Despite these actions, the District's inability to generate sufficient operating capital or collect lot prepayments creates a substantial doubt about its ability to continue as a going concern.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District at P. O. Box 1402, Springfield, LA 70462.

BASIC FINANCIAL STATEMENTS

SCHAFER GROUP, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Statement of Net Assets
June 30, 2011

Statement A

**Business - Type
Activities**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 61,410
Cash and Cash Equivalents - Restricted	531,924
Prepaid Items	4,005
Accounts Receivable	<u>17,129</u>
Total Current Assets	<u>614,468</u>

Noncurrent Assets

Maintenance Assessments Receivable, (Net, \$101,000 allowance)	101,520
Benefit Assessments Receivable	16,458,740
Capital Assets (Net)	15,251,315
Underwriter's Discount	220,258
Cost of Issuance	276,398
Utility Deposits	<u>150</u>
Total Noncurrent Assets	<u>32,308,381</u>

Total Assets

32,922,849

LIABILITIES

Current Liabilities

Accounts Payable	64,765
Customer Deposits	7,207
Note Payable	1,787
Interest Payable on Bonds	1,792,808
Current Portion of Bonds Payable	<u>7,265,000</u>
Total Current Liabilities	<u>9,131,567</u>

Noncurrent Liabilities

Deferred Revenue	16,458,740
Bonds Payable - Maturity Over One Year	<u>11,230,000</u>
Total Noncurrent Liabilities	<u>27,688,740</u>

Total Liabilities

36,820,307

NET ASSETS

Net Assets

Invested In Capital Assets, Net of Related Debt	(2,215,105)
Net Assets Restricted for Capital Projects	-
Net Assets Restricted for Debt Service	-
Net Assets Unrestricted	<u>(1,682,353)</u>
Total Net Assets	<u>\$ (3,897,458)</u>

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The accompanying notes are an integral part of these financial statements.
 A LIMITED LIABILITY COMPANY

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

	Statement B
	Enterprise Fund
Operating Revenues	
Charges for Services - Water Service	\$ 33,795
Charges for Services - Sewer Service	29,282
Maintenance Assessments	262,500
Interest on Maintenance Assessments	2,199
Total Operating Revenues	<u>327,776</u>
Operating Expenses	
Utility Service Operating Expense - Water	61,707
Utility Service Operating Expense - Sewer	51,580
Bad Debt Expense	101,000
Depreciation Expense - Water	25,011
Depreciation Expense - Sewer	27,471
Total Operating Expenses	<u>266,769</u>
Operating Income (Loss)	<u>61,007</u>
Nonoperating Revenues (Expenses)	
Homeowners' Donations	6,062
Interest Income on Investments	56
Rental Income	10,000
Miscellaneous	(1,010)
Trustee Fees	(11,097)
Per Diem	(2,475)
Utilities	(2,775)
Professional Fees	(1,546)
Infrastructure Maintenance	(4,656)
Underwriter's Discount	(38,601)
Cost of Issuance	(48,843)
Debt Service - Interest	(1,075,685)
Depreciation Expense - Infrastructure	(322,392)
Total Nonoperating Revenues (Expenses)	<u>(1,492,962)</u>
Change in Net Assets	<u>(1,431,955)</u>
Net Assets, Beginning of Year (Previously Reported)	(2,460,144)
Prior Period Adjustment	(5,359)
Net Assets, Beginning of Year (Restated)	<u>(2,465,503)</u>
Net Assets, End of Year	<u><u>\$ (3,897,458)</u></u>

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2011

Statement C

**Enterprise
Fund**

Cash Flows From Operating Activities	
Received from Customers and Users	\$ 108,127
Received from Customer Deposits	2,711
Paid for Operations	(112,665)
Net Cash Provided (Used) by Operating Activities	<u>(1,827)</u>
Cash Flows From Noncapital Financing Activities	
Received from Rental	10,000
Received from Homeowners' Donations	6,062
Received from Financed Insurance	5,739
Principal Payments on Financed Insurance	(3,952)
Paid for Infrastructure Maintenance	(4,427)
Paid for Other Noncapital Expenses	(3,785)
Paid for Board Per Diem	(2,400)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>7,237</u>
Cash Flows From Capital and Related Financing Activities	
Received from Benefit Assessments	38,382
Paid collection Fees on Benenfit Assessments	6,060
Trustee Fees and Legal Fees	(12,643)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>31,799</u>
Cash Flows From Investing Activities	
Sale of Investments	
Received from Interest on Investments	56
Net Cash Provided (Used) by Investing Activities	<u>56</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>37,265</u>
Cash and Cash Equivalents, Beginning of Year	<u>556,069</u>
Cash and Cash Equivalents, End of Year	<u>\$ 593,334</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 61,007
Non Cash Items Included in Operating Income (Loss):	
Depreciation and Amortization Expense	52,482
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Accounts Receivable - Water & Sewer	(17,129)
(Increase) Decrease in Maintenance Assessments Receivable	(101,520)
(Increase) Decrease in Prepaid Items - Water & Sewer	348
Increase (Decrease) in Customer Deposit - Water & Sewer	2,711
Increase (Decrease) in Accounts Payable - Water & Sewer	274
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,827)</u>

The accompanying notes are an integral part of these financial statements.

SCHAFFER GROUP, LTD.
 CERTIFIED PUBLIC ACCOUNTANTS
 A LIMITED LIABILITY COMPANY

Notes to the Financial Statements

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

"Community Development District" or "District" means a special district as provided in Article VI, Section 19 of the Constitution of Louisiana, which is created pursuant to Chapter 27-B of Title 33 of the Louisiana Revised Statutes of 1950, as amended, specifically, La. R.S. 33:9039.11 through 33:9039.37, inclusive (the "Act") and limited to the performance of those specialized functions authorized by the Act, the boundaries of which are contained wholly within a single parish; the governing head of which is a body created, organized and constituted and authorized to function specifically as prescribed in the Act for the delivery of community development services; and the formation, powers, governing body, operation, duration, accountability, requirements for disclosure and termination of which are governed pursuant to the provisions of the Act.

A. Reporting Entity

Carter Plantation Community Development District, Parish of Livingston, State of Louisiana (the "District") is a public corporation and a community development district organized and existing under the provisions of the Act, and pursuant to an Ordinance duly adopted by the Council Members of the Livingston Parish Council (primary government), State of Louisiana, effective on January 9, 2003 (the "Ordinance"). The District is comprised of and includes all of the immovable property situated within the described boundaries of the District.

Pursuant to the provisions of the Act, the District is authorized to finance, fund, plan, establish, acquire construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the following: 1) water management and control for the lands on the District, including the connection of some or any of such facilities with road and bridges; 2) water supply, sewer and wastewater management, reclamation and refuse or any combination thereof; 3) bridges or culverts that may be needed across any drain, ditch, canal, floodway, holding basin, excavation, public highway, tract, grade, fill or cut and roadways over levees and embankment; and 4) roads and streets in the District (the "project").

The District is authorized by the Act to levy and collect non-ad valorem special assessments against all immovable property situated in the District that is subject to assessment as a result of the project. The Board of Supervisors of the District (the "Board") exercise the powers granted to the District pursuant to the Act. The Board consists of five members; except as otherwise provided by the Act, each member holds the position for a term of four years and until a successor is chosen and qualifies. Two of the supervisors are elected officers of the District: Chairman and Secretary. The initial members of the Board were to be residents of the State of Louisiana, and at least one of the initial members was to be a resident of the area immediately adjacent to the District. Additionally, the initial members of the Board served terms of six years after the initial appointment of members. The positions of each member whose term has expired is filled by a qualified elector of the District, or if there are no qualified electors of the District, a qualified elector of Livingston Parish who will be elected by the qualified electors of the District in accordance with Title 18 of the Louisiana Revised Statutes of

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT**Notes to the Financial Statements (Continued)****June 30, 2011**

1950. However, if the District consists of a population of less than six hundred persons, the governing authority of the Livingston Parish Council will appoint members of the Board.

Members of the Board are known as supervisors and, upon entering into office, take an oath of office. The supervisors hold office for the term for which they were elected or appointed and until their successors are chosen and qualified. If, during the term of office, a vacancy occurs, the remaining members of the Board will fill the vacancy by an appointment for the remainder of the unexpired term.

Each supervisor is entitled to receive for his or her services, a per diem not to exceed seventy-five dollars per meeting, and such travel expenses as may be authorized in the bylaws of the District. A majority of the members of the Board constitutes a quorum for the purposes of conducting its business, exercising its powers and for all other purposes. Actions taken by the District are upon vote of a majority of the members present, unless general law or a rule of the District requires a greater number.

GASB Statement 14, The Reporting Entity, established criteria for determining reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the District is considered a component unit of the Livingston Parish Council. As a component unit, the accompanying financial statements should be included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

B. Government-Wide and Fund Financial Statements

The basic financial statements (i.e., the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows) are presented as the government-wide financial statements as they include all of the activity for the District (business type activities). The basic financial statements also include the sole fund (proprietary fund) of the District and they report information on all of the nonfiduciary activities of the District.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District uses a single proprietary fund to maintain its financial records during the year.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

The District reports the following proprietary fund:

Enterprise Fund - The Enterprise Fund accounts for transactions relating to infrastructure development, contracting, debt, assessments and other matters requiring commitment for more than one fiscal year. This fund also accounts for financial resources associated with the utility operations of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Revenues and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: 1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; 2) matching requirements, in which the District must provide local resources to be used for a specific purpose; and 3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses

On an accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to pay principal and interest on the Bonds as they become due and payable. For presentation in the financial statements, investments in money market accounts are considered to be cash equivalents.

E. Restricted Assets

Restricted assets are cash, cash equivalents and investments whose use is limited by

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements (Continued)

June 30, 2011

legal requirements. Restricted cash, cash equivalents and investments represent amounts required by debt covenant to be segregated and restricted for debt payment and accrued interest on the Bonds. Restricted cash, cash equivalents and investments also represent amounts required by debt agreement and special assessment proceeds to be segregated and restricted for completion of the District's infrastructure projects. Pursuant to the Master Trust Indenture, by and between the District and Hancock Bank, as trustee (the "Trustee"), the Trustee has established accounts for the following purposes:

- a) *Interest Fund* - An account used to transfer funds to pay interest payments.
- b) *Principal Payment Fund* - An account used to transfer funds to pay principal payments.
- c) *Debt Service Reserve Fund* - An account funded from bond proceeds used to replenish the interest and principal accounts in case of deficiency or to pay debt service if no other money is lawfully available.
- d) *Acquisition and Construction Fund* - An account into which bond proceeds are deposited. Payments are to be made for any unpaid issuance cost and cost of planning, financing, acquisition, construction, reconstruction, equipping and installation of the project. Before any disbursements are made from this fund, the District must file with the Trustee a fully executed requisition.
- e) *Capitalized Interest Fund* - An account used to fund bond interest during the construction period prior to completion of the project.
- f) *Cost of Issuance Fund* - An account used to pay costs associated with the sales of bonds.
- g) *Revenue Fund* - An account into which special assessments are deposited. These special assessments are not the prepayments which are deposited into the Prepayment Fund.
- h) *Prepayment Fund* - An account into which prepaid assessments are deposited.
- i) *Rebate Fund* - An account used to make all rebate payments to the United States of America pursuant to the Arbitrage Rebate Covenants related to the Bonds.
- j) *Bond Redemption Fund* - An account into which all funds from special assessments and any excess moneys remaining in the Acquisition and Construction Fund after completion of the project are deposited.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

Each bond issue as noted below (the "Bonds") has the above referenced accounts, set up by the Trustee, and the year end balances in these accounts (book balances) are as follows:

2004 Bond Issue

Interest Fund	\$	5
Revenue Account		1
Bond Redemption		4,989
Debt Service Reserve Fund		79,622
Principal Prepayment Fund		3,817
Total 2004 Bond Issue		<u>88,434</u>

2005A Bond Issue

Debt Service Reserve Fund	373,942
Acquisition and Construction Fund	85
Principal Prepayment Fund	3,023
Total 2005A Bond Issue	<u>377,050</u>

2005B Bond Issue

Bond Redemption	391
Debt Service Reserve Fund	61,535
Acquisition and Construction Fund	11
Principal Prepayment Fund	4,503
Total 2005B Bond Issue	<u>66,440</u>

Total Restricted Assets	\$	<u>531,924</u>
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Reserve Requirements

Bond Issue	Date	Requirement	Amount
2004	06/30/2011	\$213,400	\$79,622
2005A	06/30/2011	\$1,500,000	\$373,942
2005B	06/30/2011	\$177,000	\$61,535

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements (Continued)

June 30, 2011

In prior years, the District has used Debt Service Reserve funds to make interest payments on the outstanding bonds. The District does not have the capital to resolve the deficiency that these payments created and under the Master Trust Indenture, this constitutes a default. See Note 8 for discussion on additional default and forbearance agreements entered into related to the defaults.

F. Capital Assets

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated</u>
Land, Right of Ways, Lakes and Ponds	N/A
Roads, Streets, Drainage and Buildings	40
Utility Plants and Systems	25
Fire Hydrants	25
Pool	20

G. Intergovernmental Revenues

For proprietary funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues using the accrual basis of accounting.

H. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the Act, bond indentures or external restrictions by creditors, grantors or laws or regulations of other governments.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

J. Assessment Methodology

The District used an Assessment Methodology Consultant to determine and establish the special assessment (or benefit special assessment) levied against all assessable property in the District (see also Note 4). The consultant determined that the assessments would be an amount sufficient to provide for the cost of all infrastructure and common improvements, capitalized and accrued interest, on-going district management and legal counsel and issuance costs on the Bonds issued to finance the infrastructure and common improvements to be acquired. All assessable property in the District benefits in the same manner from the use of the infrastructure and common improvements, and as such, all such property was assessed utilizing the same method.

The benefitted assessment cost allocation was derived by calculating the value of the infrastructure and common improvements throughout the District, based on estimated (appraised) value of lots, for all assessable properties in the District, and applying a factor weighted to each lot's appraised value in an amount sufficient to cover the costs outlined above.

This methodology, which was used to establish and determine the benefit special assessments that pay the cost of the project, has been presented to and approved by the Board of the District and is set forth in the Allocation of Infrastructure Cost & Assessment Methodology Report prepared by King, Bossier, Nosacka & Holley and District Manager, Inc., the Assessment Methodology Consultants to the District.

K. Prepaid Items

Prepaid items reflect items that have been paid that benefit future periods.

L. Special Bond Provisions

The Board of the District duly adopted a resolution on November 6, 2002, (the "Initial Resolution") authorizing the issuance of not exceeding \$10,000,000 aggregate principal amount of its Special Assessment Bonds in one or more series (the "Bonds"), in order to pay all or a portion of the design, acquisition and construction costs of certain infrastructure improvements from time to time constructed, established, or installed in the District, for the District. The Bonds were to be issued pursuant to the Act and the Master Trust Indenture dated March 1, 2004, entered into between the District and Hancock Bank of Louisiana as Trustee.

The First Supplemental Trust Indenture, dated March 1, 2004, included provisions for the issuance of the Special Assessment Bonds, Series 2004, in aggregate principal amount of \$6,810,000.

The Master Trust Indenture and First Supplemental Trust Indenture were amended and dated as of April 1, 2005, to include provisions for the issuance of the Special Assessment Bonds, Series 2005A, in the aggregate principal amount of \$15,000,000.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

The Second Supplemental Trust Indenture, dated April 1, 2005, included provisions for the issuance of the Special Assessment Bonds, Series 2005B, in the aggregate principal amount of \$1,770,000.

The Series 2004, 2005A and 2005B Bonds are limited obligations of the District payable solely from and secured by the pledge and assignment of and lien upon the pledged revenues pursuant to the Indenture and neither the property, the full faith and credit, nor the taxing power of the District, the Parish of Livingston, the State of Louisiana, or any political subdivision thereof, is pledged as security for the payment of the Bonds, except that the District is obligated under the Indentures and the Act to levy and to evidence and certify, or cause to be certified, for collection, special assessments to secure and pay the Bonds. The Bonds do not constitute an indebtedness of the District, the Parish of Livingston, the State of Louisiana, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation.

The Bonds authorized under the Indentures and the obligation evidenced thereby do not constitute a lien upon any property of the District, including, without limitation, the project or any portion thereof in respect to which such Bonds were issued, or any part thereof, but does constitute a lien only on the pledged revenues as set forth in the Indentures. Nothing in the Bonds authorized under the Indentures should be construed as obligating the District to pay the Bonds or the redemption price thereof or the interest thereon except from the pledged revenues, or as pledging the faith and credit of the District, the Parish or the State of Louisiana or any political subdivision thereof, or as obligating the District, the Parish of Livingston or the State of Louisiana or any of its political subdivisions, directly or indirectly or contingently, to levy (except for the special assessments levied by the District) or to pledge any form of taxation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accounting principles generally accepted in the United States of America require that proprietary fund financial statements include a statement of net assets, a statement of revenue, expenses and changes in net assets and a statement of cash flows which are presented as the Basic Financial Statements.

3. CASH AND INVESTMENTS

The District is authorized to make direct investments of money within funds and accounts established by the Indentures in United States government bonds, treasury notes, treasury bills or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana or any other federally insured investment, or guaranteed investment contracts issued by a financial institution having one of the two highest rating categories or in mutual or trust fund institutions which are registered with the SEC and which have underlying investments consisting solely of and limited to securities of the government or its agencies. The types of permitted investments for a special district constituting a political subdivision of the State of Louisiana are more fully set forth in the Louisiana Revised Statutes.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

The District's deposits at June 30, 2011 are all classified as cash equivalents as described in Note 1. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit. These securities are held by and in the name of the pledging fiscal agent bank or in a holding or custodial bank that is mutually acceptable to both parties. Under state law, deposits held in a separate trust account are not required to have pledged securities in the name of the government; however the bank must deposit with an unaffiliated bank pledged securities to cover the deposits held in trust.

Custodial Credit Risk, as it relates to cash deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, none of the District's deposits (Bank Balance) of \$525,443.20 were exposed to custodial credit risk because they were either insured by the Federal Deposit Insurance Corporation or they were held in a bank trust department where state law requires the bank trust department to deposit securities with an unaffiliated bank that is equal to the amount held in trust.

4. BENEFIT SPECIAL ASSESSMENTS AND MAINTENANCE SPECIAL ASSESSMENTS

A. Benefit Special Assessments

The District's Special Assessments are a type of non-ad valorem benefit special assessments levied against assessable property within the boundaries of the District's lands based upon the special benefit to accrue to such property as a result of the implementation of the project (See Note 1). Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act.

The term "Special Assessment" means the net proceeds derived from the levy and collection of "benefit special assessments", as provided for in La. R.S. 33:9039.29 (A) of the Act (except for any such special assessments levied and collected for maintenance purposes), against the lands located within the District that are subject to assessments regarding the project or any portion thereof. These assessments may be due and collected during each year that parish taxes are due and collected, in which case, such annual installment and levy shall be evidenced and certified to the assessor by the Board not later than August 31st of each year. Such assessment shall be entered by the assessor on the parish tax rolls, and shall be collected and enforced by the tax collector in the same manner and at the same time as parish taxes; the proceeds thereof shall be paid to the District. Additionally, at the time of the sale of land located in the District that is subject to assessments, the owner of the property shall prepay the special assessment and extinguish the lien upon the property to be acquired by paying, on the date of the sale, the entire amount of the assessment plus accrued interest to the Trustee. The amount of the assessment will be deposited by the Trustee into the appropriate Debt Service or Prepayment Account.

The benefit special assessments include:

- a) Acquisition Prepayments (Assessments on Lots) - Payment, made by the owner of land in the District subject to assessment, from the proceeds of

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

the land sales in the amount of the special assessments imposed to pay principal of the Bonds (plus accrued interest as outlined in the Indentures);

- b) Annual Benefit Special Assessments - Net proceeds derived from levying, imposing and collecting benefit special assessments against assessable property annually, if necessary, with respect to the project;
- c) Periodic Benefit Special Assessments - Assessments levied, imposed and collected by the District semi-annually to pay the interest or principal on the Bonds, based on the next debt service payment date; and
- d) Other Benefit Special Assessments - Any other assessments levied, imposed and collected by the District related to the project or Bonds.

Acquisition Prepayments collected during the year ended June 30, 2011 totaled \$-0-.

During fiscal year 2011, the Board of Supervisors of the District approved an ordinance levying periodic benefit special assessments in an amount sufficient to pay debt obligations due and replenish debt service reserves; however, the ordinance levying such assessments was subsequently rescinded in accordance with the conditions of a forbearance agreement entered into on August 26, 2011 (See Note 16). During the fiscal year, \$51,322 was collected by the tax collector related to these assessments (\$50,502 in assessments and \$820 in interest) and \$45,262 was remitted to the District (\$51,322 collected less \$6,060 collection fees retained by the tax collector). At year end, estimated refunds of assessments collected totaled \$38,382 with the remaining \$6,880 collected accrued as payable to the tax assessor related to these assessments. As such, periodic benefit special assessment receivable and revenue are \$-0- for the year ending June 30, 2011.

Annual, Periodic and Other Benefit Special Assessments totaled \$-0- for the year ended June 30, 2011.

B. Maintenance Special Assessment

Maintenance Special Assessments are assessments levied, ordered and collected for maintenance purposes. Maintenance Special Assessments levied for the year ended June 30, 2011 totaled \$262,500. Of this amount, \$59,980 was collected by the tax collector and \$52,782 was remitted to the District (\$59,980 collected less \$7,198 collection fees retained by tax collector). At June 30, 2011, the financial statements include bad debt expense of \$101,000 and a \$101,000 reduction in Maintenance Assessments Receivable (Allowance for Doubtful Accounts), which represent the District's estimate of uncollectible amounts on these Maintenance Special Assessments.

C. Enforcement of Lien Nonpayment

Collection of Special Assessments levied is enforceable in the manner provided by law, particularly the provisions of Sections 9039.29 and 9039.30 of the Act. Special Assessments constitute a lien on the property until such Special Assessments are paid and shall be on parity with the lien of state, parish, municipal and school board taxes.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

Such Special Assessments are a lien in favor of the District arising under RS 33:9039.30 and may be enforced by the District in a court of competent jurisdiction as provided in the Act and other laws of the State. Such proceedings may be brought at any time after the expiration of one year from the date of any tax, or installment thereof, becomes delinquent. No such proceedings have yet been undertaken.

5. BENEFIT ASSESSMENTS RECEIVABLE

The Acquisition Prepayment Assessments for the 2004 Bonds were \$6,435,450. This represents the bond par value of \$6,810,000 less the amount for the original debt service reserve of \$374,550. The assessments for the 2005A bonds were \$13,500,000. This represents the bond par value of \$15,000,000 less the amount for the debt service reserve of \$1,500,000. The assessments for the 2005B bonds were \$1,593,000. This represents the bond par value of \$1,770,000 less the amount for the debt reserve of \$177,000.

The Acquisition Prepayment Assessments have been accounted for in benefit assessments receivable and deferred revenue. At the time the assessments are prepaid, the amount in the corresponding accounts are reduced by the prepayment and revenue recorded.

On February 16, 2007, the bondholders approved a modification in the development authorizing a tract of land to be sold without the need of any infrastructure improvements. This resulted in a reduction in assessments receivable and a partial bond redemption.

The amount in assessments receivable at the end of June 30, 2011 is as follows:

2004 Bond Issue

Beginning Balance	\$ 3,524,396
Paid in 2011	-
Balance of Assessments Receivable 2004 Bond Issue	<u>3,524,396</u>

2005A Bond Issue

Beginning Balance	11,721,697
Paid in 2011	-
Balance of Assessments Receivable 2005A Bond Issue	<u>11,721,697</u>

2005B Bond Issue

Beginning Balance	1,212,647
Paid in 2011	-
Balance of Assessments Receivable 2005B Bond Issue	<u>1,212,647</u>

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

Combined 2004, 2005A and 2005B Issue

Benefit Assessments Receivable at June 30, 2011 \$ 16,458,740

6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 06/30/2010	Increases	Decreases	Balance 06/30/2011
Capital Assets Not Being Depreciated:				
Right of Ways	\$ 1,948,858	\$ -	\$ -	\$ 1,948,858
Land for Sewer Plant	75,479	-	-	75,479
Land for Water Well	13,832	-	-	13,832
Ponds and Lakes	393,778	-	-	393,778
Carter House - Land	680,000	-	-	680,000
Carter House - Historical Portion	228,696	-	-	228,696
Total Capital Assets Not Being Depreciated	<u>3,340,643</u>	<u>-</u>	<u>-</u>	<u>3,340,643</u>
Capital Assets Being Depreciated:				
Carter House and Renovations	96,064	-	-	96,064
Pool	178,000	-	-	178,000
Roads and Storm Water Systems	12,443,591	-	-	12,443,591
Sewer System	686,774	-	-	686,774
Water System	625,287	-	-	625,287
Total Capital Assets Being Depreciated	<u>14,029,716</u>	<u>-</u>	<u>-</u>	<u>14,029,716</u>
Less Accumulated Depreciation For:				
Carter House and Renovations	(11,998)	(2,402)	-	(14,400)
Roads and Storm Water Systems	(1,392,730)	(311,090)	-	(1,703,820)
Pool	(35,563)	(8,900)	-	(44,463)
Sewer System	(159,060)	(27,471)	-	(186,531)
Water System	(144,819)	(25,011)	-	(169,830)
Total Accumulated Depreciation	<u>(1,744,170)</u>	<u>(374,874)</u>	<u>-</u>	<u>(2,119,044)</u>
Capital Assets Being Depreciated, Net	<u>12,285,546</u>	<u>(374,874)</u>	<u>-</u>	<u>11,910,672</u>
Total Capital Assets, Net	<u>\$ 15,626,189</u>	<u>\$ (374,874)</u>	<u>\$ -</u>	<u>\$ 15,251,315</u>

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

7. BOND ISSUE AND BOND DISCOUNT COSTS

Bond issuance and discount costs are amortized over the life of the Bonds using the straight-line method. The changes in bond issuance and discount costs are as follows:

Cost of Issuance

	Balance at 06/30/2010	Additions	Deletions	Balance at 06/30/2011
2004 Bond Issue	\$ 199,911.75	\$ -	\$ -	\$ 199,911.75
2005A Bond Issue	348,145.77	-	-	348,145.77
2005B Bond Issue	38,057.11	-	-	38,057.11
Less: Amortization	(260,873.76)	(48,842.89)	-	(309,716.65)
Total	\$ 325,240.87	\$ (48,842.89)	\$ -	\$ 276,397.98

Bond Discount

	Balance at 06/30/2010	Additions	Deletions	Balance at 06/30/2011
2004 Bond Issue	\$ 136,200.00	\$ -	\$ -	\$ 136,200.00
2005A Bond Issue	292,500.00	-	-	292,500.00
2005B Bond Issue	34,515.00	-	-	34,515.00
Less: Amortization	(204,356.26)	(38,601.25)	-	(242,957.51)
Total	\$ 258,858.74	\$ (38,601.25)	\$ -	\$ 220,257.49

8. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during the period consist of:

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

	Principal Outstanding 06/30/2010	Additions	Reductions	Principal Outstanding 06/30/2011
2004 Bond Issue	\$ 3,880,000.00	\$ -	\$ -	\$ 3,880,000.00
2005A Bond Issue	13,220,000.00	-	-	13,220,000.00
2005B Bond Issue	1,395,000.00	-	-	1,395,000.00
Total	\$ 18,495,000.00	\$ -	\$ -	\$ 18,495,000.00

During the current fiscal year, the District did not make mandatory bond redemptions and interest payments that were due as follows:

Issue	Mandatory Redemption	Interest Payment
2004	\$ -	\$ 213,400.00
2005A	1,360,000.00	779,980.00
2005B	160,000.00	82,305.00
Total	\$ 1,520,000.00	\$ 1,075,685.00

Failure to make these payments constitutes default under the Master Trust Indenture.

On September 1, 2010, the District entered into a Forbearance Agreement with Hancock Bank of Louisiana, Trustee, as it relates to the Series 2005A and 2005B Bonds. Under this Forbearance Agreement, the Trustee (acting at the direction of the Directing Bondholders) agrees to forbear from the exercise of any rights or remedies under the Bond Documents arising by reason of defaults specified in the agreement. The period of forbearance commenced on the date of the agreement and terminates on the earlier of: 1) June 1, 2011; or 2) the occurrence of any Forbearance Termination Event as defined in the Forbearance Agreement. As a condition of the agreement, the District agreed that it would not attempt to impose assessments with respect to the 2005 Bonds through the calendar year 2011. Subsequent to year end, an amendment to the forbearance agreement was signed which effectively continued the forbearance period until June 1, 2012, except that the condition of the agreement not to impose assessments through calendar year 2011 was extended through calendar year 2012 on all lots except for 25 lots excluded and to be assessed.

Subsequent to year end, the District entered into a Forbearance Agreement with Hancock Bank of Louisiana, Trustee, as it relates to the Series 2004 Bonds. Under this Forbearance Agreement, the Trustee (acting at the direction of the Directing Bondholders) agrees to forbear from the exercise of any rights or remedies under the

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements (Continued)

June 30, 2011

Bond Documents arising by reason of defaults specified in the agreement. The period of forbearance commenced on the date of the agreement and terminates on the earlier of: 1) June 1, 2012; or 2) the occurrence of any Forbearance Termination Event as defined in the Forbearance Agreement. As a condition of the agreement, the District agreed that it would not attempt to impose assessments with respect to the 2004 Bonds for the payment of accrued interest due and owing through calendar year 2012, or for the replenishment of the Debt Service Reserve Fund, except with respect to 27 lots and 3 undivided assessed areas (CP-3 and CP-1A, CP2-4, Bulk lot assessment 456301) excluded and to be assessed. See Note 16 for further discussion.

Future requirements on the District's long-term obligations at June 30, 2011 are as follows:

Future Requirements
2004 Bond Issue

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 445,000	\$ 533,500	\$ 978,500
2013	790,000	188,925	978,925
2014	835,000	145,475	980,475
2015	880,000	99,550	979,550
2016	930,000	51,150	981,150
2017	-	-	-
Total	<u>\$ 3,880,000</u>	<u>\$ 1,018,600</u>	<u>\$ 4,898,600</u>

Future Requirements
2005A and 2005B Bond Issues

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,820,000	\$ 2,155,713	\$ 8,975,713
2013	1,700,000	459,905	2,159,905
2014	1,800,000	359,605	2,159,605
2015	1,910,000	253,405	2,163,405
2016	2,025,000	140,715	2,165,715
2017	360,000	21,240	381,240
Total	<u>\$ 14,615,000</u>	<u>\$ 3,390,583</u>	<u>\$ 18,005,583</u>

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

Mandatory bond redemptions not made in the current period as outlined above, as well as mandatory bond redemptions not made in the prior fiscal year (\$1,335,000), are reflected in the future requirements schedule above within the principal amount due in 2012. Interest payments due and not made in the current fiscal year as outlined above, as well as those due and not paid in the prior fiscal year (\$106,700 on 2004 Bonds and \$431,142.50 on 2005 Bonds), are reflected in the future requirements schedule above within the interest amount due in 2012 and are reflected within accrued interest on the Statement of Net Assets.

The 2004 Bonds were issued as single term bonds and mature in principal amount on May 1 as set forth above, subject to the right of prior redemption in accordance with their terms, and bear interest as set forth below:

YEAR	PRINCIPAL AMOUNT	INTEREST
2016	\$ 6,810,000.00	5.5%

The 2005A Bonds were issued as single term bonds and bear interest and mature in principal amount on May 1 as set forth above, subject to the right of prior redemption in accordance with their terms, and bear interest as set forth below:

YEAR	PRINCIPAL AMOUNT	INTEREST
2017	\$ 15,000,000.00	5.9%

The 2005B Bonds were issued as single term bonds and mature in principal amount on May 1 as set forth above, subject to the right of prior redemption in accordance with their terms, and bear interest as set forth below:

YEAR	PRINCIPAL AMOUNT	INTEREST
2017	\$ 1,770,000.00	5.9%

On February 16, 2007, the Bondholders authorized a modification of the plan of development that allowed for a partial redemption of the bonds as follows:

<u>ISSUE</u>	<u>PRINCIPAL PAYMENT</u>
2004	\$ 75,000.00
2005A	\$ 1,165,000.00
2005B	\$ 135,000.00

The debt service schedules were revised to reflect these payments.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

9. CONSTRUCTION COMMITMENTS

The District has no outstanding contracts for professional and contract services as of June 30, 2011.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, damage to and theft or destruction of assets, errors and omissions and natural disaster.

In June 2010, the District purchased a commercial liability policy underwritten by Scottsdale Insurance Company with the following coverage:

Commercial General Liability	\$ 1,000,000.00
Damage to Rented Premises	\$ 100,000.00
Personal Injury	\$ 1,000,000.00

This coverage expired in June 2011. In June 2011, the policy was renewed through June 2012 with the following coverage:

Commercial General Liability	\$ 2,000,000.00
Damage to Rented Premises	\$ 100,000.00
Personal Injury	\$ 1,000,000.00

In November 2009, the District purchased property coverage policy underwritten by Lloyds with the following coverage:

Property	\$ 422,000.00
Personal Property	\$ 103,000.00
Special Property (Building)	\$ 108,000.00

This coverage expires in November 2011.

In January 2011, the District purchased a Commercial Crime Policy that expires in January 2014.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

11. RELATED PARTIES

Certain Board members or their families are land owners in the District.

In September 2010, the District entered into a lease agreement with a Board Member whereby the District leases the Pool House to the Board Member with rental amount of \$1,000 per month. Rental income under this lease was \$10,000 for the year ending June 30, 2011.

12. CONTINGENCIES

As of June 30, 2011, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

13. PER DIEM PAID TO BOARD MEMBERS

The following Board Members received per diem in the amounts listed:

Dana Feneck	\$ 600.00
Gillis Windham	\$ 600.00
John Loupe	\$ 525.00
William Pananos	\$ 600.00
Dwain Martin	\$ 75.00

In addition to the amounts paid, one Board Member is owed \$75.00 for a meeting attended in the fiscal year and this amount is included in Accounts Payable at June 30, 2011.

14. NEGATIVE NET ASSETS AND GOING CONCERN ISSUES

As of June 30, 2011, the District had negative net assets of \$3,897,458. The District had only \$61,410 in unrestricted cash and \$531,924 in restricted cash which is not sufficient to meet its operating needs or meet its obligations related to the Bonds. The District has used funds in the debt service reserve to pay interest on the outstanding Bonds in previous years and this amount has not been replenished. There were no lot sales in the District for this fiscal year or the prior fiscal year. The District continues to have a deficiency in the debt service reserve funds of all of the bond issues. As discussed above, the District has entered into forbearance agreements and levied maintenance assessments in fiscal year 2011. Despite these actions, the District's inability to generate sufficient operating capital or collect lot prepayments creates a substantial doubt about its ability to continue as a going concern.

The District's Board has become active in addressing the bond defaults and the needs for benefit and maintenance special assessments as provided by the Act (See Note 4 and 8).

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2011

15. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the District increased the prior year ending negative net assets by \$5,359 through the following prior period adjustments:

Record expenses for professional services not accrued in prior year	\$ 3,500
Record expenses for insurance not accrued in prior year	\$ 1,859

16. SUBSEQUENT EVENTS

On August 26, 2011, the First Amendment to Forbearance Agreement was signed by the District and Hancock Bank of Louisiana, Trustee (acting at the direction of the Directing Bondholders) related to the Forbearance Agreement on the 2005 Series Bonds. The amendment effectively continued the forbearance period until June 1, 2012, except that the condition of the agreement not to impose assessments through calendar year 2011 was extended through calendar year 2012 on all lots except for 25 lots excluded and to be assessed.

The future requirements schedule for the Series 2005A and 2005B Bonds was changed as a result of First Amendment to the Forbearance Agreement. The revised future requirements under the 2005A and 2005B Bonds are as follows:

<u>Future Requirements</u> <u>2005A and 2005B Bond Issue</u>			
Fiscal Year Ending	Principal	Interest	Total
2012	\$ -	\$ 2,155,713	\$ 2,155,713
2013	8,520,000	862,285	9,382,285
2014	1,800,000	359,605	2,159,605
2015	1,910,000	253,405	2,163,405
2016	2,025,000	140,715	2,165,715
2017	360,000	21,240	381,240
Total	\$ 14,615,000	\$ 3,792,963	\$ 18,407,963

On August 26, 2011, the District entered into a Forbearance Agreement with Hancock Bank of Louisiana, Trustee, as it relates to the Series 2004 Bonds. Under this Forbearance Agreement, the Trustee (acting at the direction of the Directing Bondholders) agrees to forbear from the exercise of any rights or remedies under the Bond Documents arising by reason of defaults specified in the agreement. The period of forbearance commenced on the date of the agreement and terminates on the earlier of: 1) June 1, 2012; or 2) the occurrence of any Forbearance Termination Event as defined in the Forbearance Agreement. As a condition of the agreement, the District agreed that it would not attempt to impose assessments with respect to the 2004 Bonds for the

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements (Continued)

June 30, 2011

payment of accrued interest due and owing through calendar year 2012, or for the replenishment of the Debt Service Reserve Fund, except with respect to 27 lots and 3 undivided assessed areas (CP-3 and CP-1A, CP2-4, Bulk lot assessment 456301) excluded and to be assessed.

The future requirements schedule for the Series 2004 Bonds was changed as a result of the Forbearance Agreement. The revised future requirements under the 2004 Bonds are as follows:

<u>Future Requirements</u> <u>2004 Bond Issue</u>			
<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 533,500	\$ 533,500
2013	1,235,000	213,400	1,448,400
2014	835,000	145,475	980,475
2015	880,000	99,550	979,550
2016	930,000	51,150	981,150
2017	-	-	-
Total	\$ 3,880,000	\$ 1,043,075	\$ 4,923,075

In August 2010, the District levied special benefit and special maintenance assessments to pay the cost of operations and maintenance and to meet debt service obligations on the 2004 Bonds. The ordinance levying the special benefit assessments was subsequently rescinded in accordance with the conditions of a forbearance agreement entered into. During the fiscal year, \$51,322 was collected by the tax collector related to these assessments (\$50,502 in assessments and \$820 in interest) and \$45,262 was remitted to the District (\$51,322 collected less \$6,060 collection fees retained by the tax collector). At year end, estimated refunds of assessments collected totaled \$38,382 with the remaining \$6,880 collected accrued as payable to the tax assessor related to these assessments. Subsequent to year end, the refund amount was settled through an application of the majority of the funds to maintenance assessments receivable and the remainder issued as a cash refund.

In August 2011, the District levied special benefit assessments on excluded lots and special maintenance assessments on all lots or parcels of immovable property situated in the District in order to pay the cost of operations and maintenance and meet debt service obligations on the 2004 and 2005 Bonds. Collections for the assessments are expected to be available in 2012.

Subsequent events have been evaluated by the management of the District through June 25, 2012, the date these financial statements were available for issuance.

SCHAFER GROUP, LTD.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Carter Plantation Community Development District
P.O. Box 1402
Springfield, LA 70462

We have audited the financial statements of the business-type activities and each major fund of the Carter Plantation Community Development District (the "District"), a component unit of Livingston Parish Council, as of and for the year ended June 30, 2011, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting and internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of the financial statements and compliance, we considered the District's internal control over financial reporting to determine the auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the entity's financial statements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Finding 2011-1 in the accompanying Schedule of Findings and Responses to be a material weakness.

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2011-2 to 2011-7.

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses, and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the District's Board of Supervisors, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Schafer Group Ltd., LLC



Kernion T. Schafer
Managing Member

June 25, 2012

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

We have audited the financial statements of Carter Plantation Community Development District, a component unit of Livingston Parish Council, as of and for the year ended June 30, 2011, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2011, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Significant Deficiencies ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

b. Federal Awards ☒ Not Applicable

Internal Control

Material Weaknesses ☐ Yes ☐ No Significant Deficiencies ☐ Yes ☐ No

Type of Opinion On Compliance for Major Programs

Unqualified ☐ Qualified ☐ Disclaimer ☐ Adverse ☐

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

☐ Yes ☐ No

Was a management letter issued? ☐ Yes ☒ No

c. Identification of Major Programs: ☒ Not Applicable

CFDA Number (s)

Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

Section II – Financial Statement Findings

2011-1 Failure to Reconcile Subsidiary Ledger to General Ledger (Internal Controls)

Criteria: The District has maintained that as part of its internal controls system, subsidiary ledgers maintained outside of its accounting system are reconciled to the general ledger regularly, and any discrepancies are investigated and corrected timely.

Condition: The benefit assessments receivable detail listing (subsidiary ledger) was not reconciled to the general ledger as of June 30, 2011. The District is able to support the initial assessments as well as all reductions (modifications or payments) thus arriving at the ending balance. However, the District has not yet completed a full reconciliation of the ending balance to the subsidiary ledger maintained. Additionally, the maintenance assessments receivable amount is not reconciled to the detail listing (subsidiary listing). The District is able to support the initial assessments as well as all payments remitted thus arriving at the ending balance. However, the District is not able to prepare a full reconciliation of the ending balance to a detailed subsidiary ledger.

Cause: Due to the financial difficulties experienced by the District, the District's Management and Board were unable to adequately address the benefit assessment reconciliation process as they devoted a substantial amount of work and time to the effects of such difficulty and discussions surrounding possible solutions. Additionally, maintenance assessments were not tracked by the tax assessor or tax collector at a detailed level and as such, the necessary information as not available to the District in order to perform a proper reconciliation.

Effect: Without proper reconciliation of subsidiary ledgers to the general ledger, the District is exposed to many risks including, but not limited to, the risk of incomplete or unauthorized transactions and improper or fraudulent financial reporting.

Recommendation: The District's CPA should reconcile all subsidiary ledgers to the general ledger in a timely manner. Additionally, the District should communicate its needs to the local tax assessor and collector and ensure proper information is provided to the District which will allow reconciliation in the future.

Management's Response: Management has taken actions through the use of outside accountants to reconcile benefit assessments receivable detail listing to the general ledger. The District is able to support the initial assessments as well as all reductions (modifications or payments) thus arriving at the ending balance. However, the District has not yet completed a

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

full reconciliation of the ending balance to the subsidiary ledger maintained. The District has communicated with the tax assessor and tax collector and the District is working towards obtaining the necessary information to fully reconcile maintenance assessments in the future.

2011-2 Failure to Make Timely Interest Payments (Noncompliance)

Criteria: Section 10.02(a) of the Master Trust Indenture requires payment of interest when due.

Condition: The District failed to make interest payments on the Series 2004 Bonds, Series 2005A Bonds and 2005B Bonds, all due on May 1, 2010, November 1, 2010, and May 1, 2011.

Cause: This District did not have adequate funds to make the scheduled payments.

Effect: Failure to make interest payments when due constitutes default on the series 2004, 2005A and 2005B Bonds.

Recommendation: The Board should levy periodic benefit assessments for payment of debt service requirements in a timely manner.

Management's Response: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. While the District adhered to the forbearance agreements, nonpayment of the interest when due remains a violation of the Master Trust Indenture and constitutes default.

2011-3 Failure to Make Timely Principal Payments (Noncompliance)

Criteria: Section 10.02(b) of the Master Trust Indenture requires payment of principal when due.

Condition: The District failed to make principal payments on the Series 2005A Bonds due May 1, 2008, May 1, 2009, May 1, 2010, and May 1, 2011 and on the 2005B Bonds due May 1, 2010 and May 1, 2011.

Cause: See individual payments listed below:

2008 Payment: In 2007, the District revised the plan for the project and with the approval of the Bondholders, redeemed \$1,165,000.00 of the Series 2005A bonds. The District maintains that their contact at Hancock Bank, Trustee, provided them with an

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

updated debt service schedule which evidenced the application of this redemption to the May 1, 2008 sinking fund required payment. Subsequently, the District was notified that the failure to make this payment constituted default, and further discussions with the current contact at Hancock Bank indicated that the required May 1, 2008 payment was not redeemed nor was it moved to final maturity.

2009 Payment: During fiscal year 2009, the District did not have adequate funds to make the scheduled debt service principal payment. The District maintains that it was given notification by their contact at Hancock Bank, Trustee, that the May 1, 2009 mandatory sinking fund payment was moved to final maturity per the request of the Bondholders. Additionally, the District maintains that it was provided with an updated debt service schedule from this contact indicating that no payment was due at May 1, 2009. Subsequently, the District was notified that the failure to make this payment constituted default, and further discussions with the current contact at Hancock Bank indicated that the required May 1, 2009 payment was not redeemed nor was it moved to final maturity.

2010 and 2011 Payments: This District did not have adequate funds to make the scheduled payments.

Effect: Failure to make principal payments when due constitutes default on the series 2005A and 2005B Bonds.

Recommendation: The Board should levy periodic benefit assessments for payment of debt service requirements in a timely manner.

Management's Response: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. While the District adhered to the forbearance agreements, nonpayment of the interest when due remains a violation of the Master Trust Indenture and constitutes default.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

2011-4 Debt Service Reserve Account Deficiency (Noncompliance)

Criteria: Section 6.05 of the Master Trust Indenture requires a Debt Service Reserve Account be established and separately held by the Trustee in a specific amount established in the Supplemental Trust Indentures (as modified in 2008 by the Bondholders for the Series 2004 Bonds). If the Debt Service Reserve Account funds are used to make debt service payments in accordance with Section 6.05 of the Master Trust Indenture, the Debt Service Reserve Account is to be replenished within 90 days of the withdrawal.

Condition: The Debt Service Reserve Accounts on all Bond Issues are deficient at June 30, 2011 and have been deficient for longer than 90 days.

Cause: Debt service payments were made from the Debt Service Reserve Accounts due to lack of funds. The Debt Service Reserve Accounts were not replenished due to lack of funds.

Effect: Failure to restore the funds withdrawn from the Debt Service Reserve Account within 90 days of withdrawal is a violation of the Master Trust Indenture.

Recommendation: The Board should levy periodic benefit assessments for payment of debt service requirements in a timely manner.

Management's Response: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. While the District adhered to the forbearance agreements, nonpayment of the interest when due, remains a violation of the Master Trust Indenture and constitutes default.

2011-5 Failure to Hire an Engineer (Noncompliance)

Criteria: Section 9.19 of the Master Trust Indenture requires the District to hire an independent engineer or engineering firm and while the Bonds are still outstanding to: (1) have the engineer make inspection at least once a year of the portions of the project that relates to the outstanding bonds, to submit to the Board a report setting forth: (i) its findings as to whether such portions of the project owned by the District have been maintained in good repair, working order and condition; and (ii) its recommendations as to: (a) the proper maintenance, repair and operation of the project owned by the District during the ensuing fiscal year and an estimate of the amount of money necessary for such purposes; and (b) the insurance to be carried under the provisions of Section 9.12 of the Master Trust Indenture and the amount that should be set aside monthly

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

for the purposes of paying insurance premiums which fall due less often than monthly; and (2) promptly after the receipt of such reports by the District, send copies to the Trustee.

Condition: The District did not hire an engineer to perform any of the required tasks as outlined in the Master Trust Indenture and as such was unable to obtain or provide to the Trustee, the required information and reports.

Cause: The District was without the necessary funds to hire the engineer.

Effect: Failure to comply with the above noted requirements is a violation of the Master Trust Indenture.

Recommendation: The Board should levy benefit assessments for services required under the Master Trust Indenture in a timely manner.

Management's Response: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. Additionally, the District levied Maintenance Assessments for the calendar year 2010 which were to be available in calendar year 2011. The District used the local assessor and tax collector; however, the collections through year end June 30, 2011 were not sufficient to hire the engineer. In calendar year 2011, the District levied additional Maintenance Assessments, but those assessments will not be available until calendar year 2012. While the District adhered to the forbearance agreements, and adequately levied Maintenance Assessments, failure to hire an engineer and comply with the above noted requirements remains a violation of the Master Trust Indenture.

2011-6 Failure to Procure Necessary Insurance (Noncompliance)

Criteria: Section 9.12 of the Master Trust Indenture requires the District to procure and maintain public liability and property damage insurance. The insurance coverage is to provide adequate protection against loss caused by damage or destruction of any component of the project owned by the District, not dedicated to public use with limits subject to the engineer's recommendation described in 2011-5.

Condition 1: The District did not hire the engineer as described in Finding 2011-5, and as such, insurance coverage limits were not subject to the engineer's recommendation.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

Condition 2: The District did not procure any property insurance coverage for the sewer or water system.

Cause: See individual conditions listed below:

Condition 1: The District did not have the funds to hire the engineer as described in Finding 2011-5.

Condition 2: The District did not have the funds to procure any property insurance coverage for the sewer or water system.

Effect: Failure to comply with the above noted requirements is a violation of the Master Trust Indenture.

Recommendation: The Board should levy benefit assessments for payment of required insurance premiums.

Management's Response: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. Additionally, the District levied Maintenance Assessments for the calendar year 2010 which were to be available in calendar year 2011. The District used the local assessor and tax collector; however, the collections through year end June 30, 2011 were not sufficient to hire the engineer. In calendar year 2011, the District levied additional Maintenance Assessments, but those assessments will not be available until calendar year 2012. While the District adhered to the forbearance agreements, and adequately levied Maintenance Assessments, failure to hire an engineer and comply with the above noted requirements remains a violation of the Master Trust Indenture.

2011-7 Failure to Provide Documents (Noncompliance)

Criteria: Section 9.21 of the Master Trust Indenture requires that the District file with the Trustee the Schedule of Assessments. Section 9.19 of the Master Trust Indenture requires the District to furnish the Engineer's Report to the Trustee. Section 9.29 of the Master Trust Indenture requires the District to furnish the Arbitrage Rebate Calculation to the Trustee. The Continuing Disclosure Agreement requires the District to furnish the Developer Lot Sales Report every quarter.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

Condition: The Schedule of Assessments related to the 2004 and 2005 Bonds was not filed. The Engineer's Report, the Arbitrage Rebate Calculation, and the Arbitrage rebate Calculation was not furnished to the trustee.

Cause: The Engineering report was not provided because the District was unable to hire an engineer as described in 2011-5 above. The Board of Supervisors has become very active in addressing the District's financial difficulties. In doing so, the Board has been focusing on those issues. The remaining items were overlooked as a result.

Effect: Failure to comply is a violation of the Master Trust Indenture and the Continuing Disclosure Agreement.

Recommendation: The Board should provide all required information and documents according to the Master Trust Indenture and Continuing Disclosure Agreements in a timely manner.

Management's Response: See 2011-5 above regarding the engineer. The Board will provide the remaining required information and documents in the future.

2011-8 Late Submission of Financial Statements (Non Compliance)

Criteria: In accordance with Louisiana Revised Statutes (R. S.) 24:513, the District's audit should be completed and submitted to the Legislative Auditor's Office within six months after the District's fiscal year-end.

Condition: The District's audit engagement was not completed within the six months of the close of their fiscal year-end.

Cause: The District's bookkeeper resigned early in the year and the transition to a new bookkeeper resulted in additional time spent on year end reconciliations and financial statement preparation. Additionally, the auditor withdrew from the engagement and was contracted to assist in year-end accrual and financial statement preparation procedures. However, this left the District to obtain the services of a new auditor. Once the financial statements were prepared and the new auditor engaged, the Audit Manager went out on maternity leave. Once she returned, the audit commenced and was completed as quickly as possible.

Effect: The Legislative Auditor is unaware if the District's financial statements present fairly, in all material respects, the financial position of the business-type activities and each major fund of the District, and the respective changes in financial position and cash flows of the District in conformity with accounting principles generally accepted in the United States of America.

Recommendation: The District's year-end reconciliations and financial statement preparation should be prepared and submitted to the auditor timely allowing the auditor sufficient time to complete the audit by the statutory due date.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2011

Management's Response: The District has maintained and intends to continue its professional relationships to ensure bookkeeping is done throughout the year and that the year-end accruals and financial statements are drafted and sent to the auditor timely.

Section III – Federal Award Findings and Questioned Costs

No Section III Findings.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

SECTION I Internal Control and Compliance Material to the Financial Statements

Finding 2010-1 Failure to Adopt Budget (Internal Control – Material Weakness)

Criteria: The District has maintained that as part of its internal controls system, the Board of Supervisors *meets regularly in order to oversee District matters. As part of the meetings, the Board of Supervisors is to review financial data including, but not limited to, budgeted amounts and budget amounts as compared to actual performance.*

Condition: The Board of Supervisors did not adopt an annual budget for fiscal year 2010.

Cause: Due to the financial difficulties experienced by the District and some turnover within the Board of Supervisors, the District's Board was unable to meet regularly at times throughout fiscal year 2009 and as such, failed to adopt a 2010 budget on or before the start of 2010. Additionally, as a result of the above described difficulties, the Board was unable to address current year budget items during 2010 meetings as they devoted their meeting time to discussions surrounding possible solutions to the financial difficulty experienced.

Effect: Without proper oversight from the Board of Supervisors, the District is exposed to many risks including, but not limited to, the risk of incomplete or unauthorized transactions and improper or fraudulent financial reporting.

Recommendation: The Board should adopt an annual budget on or before the first day of the fiscal year. The Board should meet regularly and review financial data including budget comparison information; any adjustments to the budget should be made in a timely manner.

Current Year Status: The District adopted a budget for the current fiscal year and reviewed budget comparison information. As such, the finding is not repeated in the current year.

Finding 2010-2 Failure to Reconcile Subsidiary Ledger to General Ledger (Internal Control – Material Weakness)

Criteria: The District has maintained that as part of its internal controls system, subsidiary ledgers *maintained outside of its accounting system are reconciled to the general ledger regularly, and any discrepancies are investigated and corrected timely.*

Condition: The assessments receivable detail listing (subsidiary ledger) was not reconciled to the general ledger as of June 30, 2010.

Cause: Due to the financial difficulties experienced by the District, the District's Management and Board were unable to address the reconciliation process as they devoted a substantial amount of work and time to the effects of such difficulty and discussions surrounding possible solutions.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

Effect: Without proper reconciliation of subsidiary ledgers to the general ledger, the District is exposed to many risks including, but not limited to, the risk of incomplete or unauthorized transactions and improper or fraudulent financial reporting.

Recommendation: The District's CPA should reconcile all subsidiary ledgers to the general ledger in a timely manner.

Current Year Status: Management has taken actions through the use of outside accountants to reconcile assessments receivable detail listing to the general ledger. The District is able to support the initial assessments as well as all reductions (modifications or payments) thus arriving at the ending balance. However, the District has not yet completed a full reconciliation of the ending balance to the subsidiary ledger maintained. As such, the finding is repeated for the current year as 2011-1.

Finding 2010-3 Failure to Make Timely Interest Payments (Noncompliance)

Criteria: Section 10.02(a) of the Master Trust Indenture requires payment of interest when due.

Condition: The District failed to make interest payments on the Series 2004 Bonds, Series 2005A Bonds and 2005B Bonds, all due on May 1, 2010.

Cause: This District did not have adequate funds to make the scheduled payments and failed to levy periodic benefit assessments for payment of these amounts (See Finding 2010-5 below).

Effect: Failure to make interest payments when due constitutes default on the series 2004, 2005A and 2005B Bonds.

Recommendation: The Board should levy periodic benefit assessments for payment of debt service requirements in a timely manner.

Current Year Status: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. While the District adhered to the forbearance agreements, nonpayment of the interest when due remains a violation of the Master Trust Indenture and constitutes default. As such, the finding is repeated for the current year as 2011-2.

Finding 2010-4 Failure to Make Timely Principal Payments (Noncompliance)

Criteria: Section 10.02(b) of the Master Trust Indenture requires payment of principal when due.

Condition: The District failed to make principal payments on the Series 2005A Bonds due May 1, 2008, May 1, 2009 and May 1, 2010 and on the 2005B Bonds due May 1, 2010.

Cause: See individual payments listed below:

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

2008 Payment: In 2007, the District revised the plan for the project and with the approval of the Bondholders, redeemed \$1,165,000.00 of the Series 2005A bonds. The District maintains that their contact at Hancock Bank, Trustee, provided them with an updated debt service schedule which evidenced the application of this redemption to the May 1, 2008 sinking fund required payment. Subsequent to current year end, the District was notified that the failure to make this payment constituted default, and further discussions with the current contact at Hancock Bank indicated that the required May 1, 2008 payment was not redeemed nor was it moved to final maturity.

2009 Payment: During fiscal year 2009, the District did not have adequate funds to make the scheduled debt service principal payment. The District maintains that it was given notification by their contact at Hancock Bank, Trustee, that the May 1, 2009 mandatory sinking fund payment was moved to final maturity per the request of the Bondholders. Additionally, the District maintains that it was provided with an updated debt service schedule from this contact indicating that no payment was due at May 1, 2009. Subsequent to current year end, the District was notified that the failure to make this payment constituted default, and further discussions with the current contact at Hancock Bank indicated that the required May 1, 2009 payment was not redeemed nor was it moved to final maturity.

2010 Payments: This District did not have adequate funds to make the scheduled payments and failed to levy periodic benefit assessments for payment of the amounts (See finding 2010-5).

Effect: Failure to make principal payments when due constitutes default on the series 2005A and 2005B Bonds.

Recommendation: The Board should levy periodic benefit assessments for payment of debt service requirements in a timely manner.

Current Year Status: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. While the District adhered to the forbearance agreements, nonpayment of principal when due remains a violation of the Master Trust Indenture and constitutes default. As such, the finding is repeated for the current year as 2011-3.

Finding 2010-5 Failure to Levy Special Assessments (Noncompliance)

Criteria: Section 6.01 and 9.03(a) of the Master Trust Indenture requires the District to levy special assessments, and evidence and certify the same to the tax assessor and the tax collector, to the extent and in an amount sufficient to pay Debt Service Requirements on all outstanding Bonds.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

Condition: The District failed to levy the required special assessments in order to meet the debt service requirements outlined in Finding 2010-3, Finding 2010-4 and Finding 2010-6.

Cause: See individual items listed below:

2008 and 2009 Principle Payments: The Board failed to levy assessments in an amount sufficient to pay the May 1, 2008 and May 1, 2009 principal payments due on the Series 2005A Bonds due to information received by the Trustee (See Finding 2010-4 above).

2010 Principle and Interest Payments: The Board failed to levy assessments sufficient to pay the May 1, 2010 interest and principle payments due to unforeseen issues within the District. As discussed in Note 14, the Developer has been removed from the District due to litigation issues. Because such assessments are to be levied on property owned by the Developer, the assessment process was unlike it had been in the past. Due to these circumstances, the District was unable to calculate, assess or levy such assessments in time for tax rolls.

Replenish Debt Service Reserve Accounts: The Board failed to levy assessments sufficient to restore funds withdrawn from the Debt Service Reserve Fund Accounts for reasons described above (2010 Principle and Interest Payments).

Effect: Failure to levy assessments is a violation of the Master Trust Indenture.

Recommendation: The Board should levy periodic benefit assessments adequate to meet debt service requirements in a timely manner.

Current Year Status: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. The District adhered to the forbearance agreements, and as such, the finding is not repeated in the current year.

Finding 2010-6 Debt Service Reserve Account Deficiency (Noncompliance)

Criteria: Section 6.05 of the Master Trust Indenture requires a Debt Service Reserve Account be established and separately held by the Trustee in a specific amount established in the Supplemental Trust Indentures (as modified in 2008 by the Bondholders for the Series 2004 Bonds). If the Debt Service Reserve Account funds are used to make debt service payments in accordance with Section 6.05 of the Master Trust Indenture, the Debt Service Reserve Account is to be replenished within 90 days of the withdrawal.

Condition: The Debt Service Reserve Accounts on all Bond Issues are deficient at June 30, 2010 and have been deficient for longer than 90 days.

Cause: Debt service payments were made from the Debt Service Reserve Accounts due to lack of funds. The Debt Service Reserve Accounts were not replenished due to lack of funds

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

and the failure to levy periodic benefit assessments in an amount sufficient to replenish the account (See Finding 2010-5).

Effect: Failure to restore the funds withdrawn from the Debt Service Reserve Account within 90 days of withdrawal is a violation of the Master Trust Indenture.

Recommendation: The Board should levy periodic benefit assessments for payment of debt service requirements in a timely manner.

Current Year Status: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. While the District adhered to the forbearance agreements, uncured debt service reserve deficiencies remain a violation of the Master Trust Indenture and constitutes default. As such, the finding is repeated for the current year as 2011-4.

Finding 2010-7 Failure to Hire an Engineer (Noncompliance)

Criteria: Section 9.19 of the Master Trust Indenture requires the District to hire an independent engineer or engineering firm and while the Bonds are still outstanding to: (1) have the engineer make inspection at least once a year of the portions of the project that relates to the outstanding bonds, to submit to the Board a report setting forth: (i) its findings as to whether such portions of the project owned by the District have been maintained in good repair, working order and condition; and (ii) its recommendations as to: (a) the proper maintenance, repair and operation of the project owned by the District during the ensuing fiscal year and an estimate of the amount of money necessary for such purposes; and (b) the insurance to be carried under the provisions of Section 9.12 of the Master Trust Indenture and the amount that should be set aside monthly for the purposes of paying insurance premiums which fall due less often than monthly; and (2) promptly after the receipt of such reports by the District, send copies to the Trustee.

Condition: The District did not hire an engineer to perform any of the required tasks as outlined in the Master Trust Indenture and as such was unable to obtain or provide to the Trustee, the required information and reports.

Cause: The District was without the necessary funds to hire the engineer.

Effect: Failure to comply with the above noted requirements is a violation of the Master Trust Indenture.

Recommendation: The Board should levy benefit assessments for services required under the Master Trust Indenture in a timely manner.

Current Year Status: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. Additionally, the District levied Maintenance Assessments for the calendar year 2010 which were to be available in calendar year 2011. The District used the local assessor and tax collector; however, the collections through year end June 30, 2011 were not sufficient to hire the engineer. In calendar year 2011, the District levied additional Maintenance Assessments, but those assessments will not be available until calendar year 2012. While the District adhered to the forbearance agreements, and adequately levied Maintenance Assessments, failure to hire an engineer and comply with the above noted requirements remains a violation of the Master Trust Indenture. As such, the finding is repeated for the current year as 2011-5.

Finding 2010-8 Failure to Procure Necessary Insurance (Noncompliance)

Criteria: Section 9.12 of the Master Trust Indenture requires the District to procure and maintain public liability and property damage insurance. The insurance coverage is to provide adequate protection against loss caused by damage or destruction of any component of the project owned by the District, not dedicated to public use with limits subject to the engineer's recommendation described in Finding 2010-7. Additionally, the comprehensive general liability insurance with respect to the project should provide adequate protection against bodily injury and property damage. The status of such insurance is to be provided to the Trustee within the first six months of the fiscal year.

Condition 1: The District did not hire the engineer as described in Finding 2010-7, and as such, insurance coverage limits were not subject to the engineer's recommendation.

Condition 2: The District did not procure any property insurance coverage for the sewer or water system.

Condition 3: The District did not provide the Trustee with the required status of insurance.

Cause: See individual conditions listed below:

Condition 1: The District did not have the funds to hire the engineer as described in Finding 2010-7;

Condition 2: The District did not have the funds to procure any property insurance coverage for the sewer or water system; and

Condition 3: Renewal certificates for policies that were in effect at June 30, 2010 were not furnished to the Trustee because there remained a deficiency in the amount of coverage.

Effect: Failure to comply with the above noted requirements is a violation of the Master Trust Indenture.

This schedule was prepared by management.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

Recommendation: The Board should levy benefit assessments for payment of required insurance premiums, and upon procuring the necessary insurance, provide the required certificates to the Trustee in a timely manner.

Current Year Status: See individual conditions listed below:

Condition 1: See Finding 2010-7;

Condition 2: The District signed a forbearance agreement on the 2005 Bonds during the fiscal year. Subsequent to year end, this forbearance agreement was essentially extended and a new forbearance agreement pertaining to the 2004 Bonds was signed. As part of these agreements, the District agreed not to assess the lots in the District through calendar year 2012. As such, the assessments were not levied or were levied and rescinded. Additionally, the District levied Maintenance Assessments for the calendar year 2010 which were to be available in calendar year 2011. The District used the local assessor and tax collector; however, the collections through year end June 30, 2011 were not sufficient to hire the engineer. In calendar year 2011, the District levied additional Maintenance Assessments, but those assessments will not be available until calendar year 2012. While the District adhered to the forbearance agreements, and adequately levied Maintenance Assessments, failure to hire an engineer and comply with the above noted requirements remains a violation of the Master Trust Indenture. As such, the finding is repeated for the current year as 2011-6; and

Condition 3: Renewal certificates for policies that were in effect at June 30, 2011 were furnished to the Trustee so this portion of the finding is not repeated.

Finding 2010-9 Failure to Adopt a Budget (Noncompliance)

Criteria: Section 9.18 of the Master Trust Indenture requires the District to adopt an annual budget on or before the first day of the fiscal year for the payment of anticipated operating and maintenance expenses, and supply a copy of the budget to the Trustee.

Condition: Finding 2010-1 is also a violation of the Master Trust Indenture.

Cause: See Finding 2010-1.

Effect: failure to adopt a budget on or before the first day of the fiscal year is a violation of the Master Trust Indenture.

Current Year Status: The District adopted a budget for the current fiscal year and reviewed budget comparison information. As such, the finding is not repeated in the current year.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

Finding 2010-10 Board Members (Noncompliance)

Criteria: LA RS 33:9039.15.A(1) requires that the District should have a Board consisting of five members.

Condition: The Board of Supervisors consisted of four members at June 30, 2010.

Cause: The District has experienced several voluntary resignations from the Board of Supervisors. The financial difficulty of the District has made it difficult to find replacement members to fill the vacancies as they arise.

Effect: The District is not compliant with the above referenced Revised Louisiana Statute.

Current Year Status: The District had 5 members at June 30, 2011 and as such, the finding is not repeated in the current year.

Finding 2010-11 Compliance Questionnaire (Noncompliance)

Criteria: LA RS 24:513A(5)a requires audits submitted to the Legislative Auditor to be performed in accordance with the *Louisiana Audit Guide*. The *Louisiana Audit Guide* requires that the government complete, adopt and provide to the auditor, the appropriate compliance questionnaire at the beginning of the audit. The cover letter from the Legislative Auditor attached to the compliance questionnaire requires that the questionnaire be adopted by the governing board by means of a formal resolution, which is also to be provided to the auditor at the beginning of the audit.

Condition: The appropriate compliance questionnaire was signed by members of the Board of Supervisors and submitted to the auditor at the start of the audit. However, the District failed to provide evidence of a formal resolution adopting the compliance questionnaire at the start of the audit.

Cause: Due to the financial difficulties and turnover on the Board, minutes were not available for the meeting at which the compliance questionnaire was adopted until well after the start of the audit.

Effect: The District is not compliant with the above referenced Revised Louisiana Statute.

Recommendation: The Board should adopt the appropriate compliance questionnaire through formal resolution and provide such questionnaire and resolution to the auditor at the start of the audit.

Current Year Status: The Board adopted the compliance questionnaire for the current period, and as such, the finding is not repeated.

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2011

Finding 2010-12 Failure to Provide Documents (Noncompliance)

Criteria: Section 9.21 of the Master Trust Indenture requires that the District file with the Trustee the Schedule of Assessments. Section 9.29 of the Master Trust Indenture requires the District to furnish the Arbitrage Rebate Calculation by March 31st of each year. The Continuing Disclosure Agreement requires the District to furnish the Developer Lot Sales Report every quarter.

Condition: The Schedule of Assessments was not filed. The Arbitrage Rebate Calculation was not furnished by March 31, 2010. The Developer Lots Sales Report was not furnished for the first three quarters of 2010.

Cause: The Board of Supervisors has become very active in addressing the District's financial difficulties. In doing so, the Board has been focusing on those issues. The items were overlooked as a result.

Effect: Failure to comply is a violation of the Master Trust Indenture and the Continuing Disclosure Agreement.

Recommendation: The Board should provide all required information and documents according to the Master Trust Indenture and Continuing Disclosure Agreements in a timely manner.

Current Year Status: Finding repeated in the current year as 2011-7.

SECTION II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

SECTION III Management Letter

No Section III Findings.

OTHER SUPPLEMENTAL INFORMATION
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual

CARTER PLANTATION COMMUNITY DEVELOPMENT DISTRICT
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
Proprietary Fund
For the Year Ended June 30, 2011

Schedule 1

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts: GAAP Basis	Final Budget: Favorable (Unfavorable)
Revenues				
Maintenance Assessments	\$ 250,000	\$ 250,000	\$ 262,500	\$ 12,500
Utility Revenue	60,248	60,248	63,077	2,829
Benefit Assessments	1,613,528	1,613,528	-	(1,613,528)
Homeowners Donations	-	-	6,062	6,062
Rental Income	-	-	10,000	10,000
Interest Income	24	24	2,255	2,231
Total Revenues	<u>1,923,800</u>	<u>1,923,800</u>	<u>343,894</u>	<u>(1,579,906)</u>
Expenses				
Capital Projects Expenses	1,988,401	1,988,401	1,163,129	825,272
Infrastructure Maintenance	250,000	250,000	4,656	245,344
Water Expense	38,298	38,298	61,707	(23,409)
Sewer Expense	18,347	18,347	51,580	(33,233)
Bad Debt Expense	-	-	101,000	(101,000)
Utilities	-	-	2,775	(2,775)
Depreciation	-	-	374,874	(374,874)
Per Diem	-	-	2,475	(2,475)
Miscellaneous Expenses	-	-	1,010	(1,010)
Professional and Other Fees	-	-	12,643	(12,643)
Total Expenses	<u>2,295,046</u>	<u>2,295,046</u>	<u>1,775,849</u>	<u>519,197</u>
Change in Net Assets	<u>(371,246)</u>	<u>(371,246)</u>	<u>(1,431,955)</u>	<u>(1,060,709)</u>
Net Assets, Beginning of Year (Restated)	<u>(2,465,503)</u>	<u>(2,465,503)</u>	<u>(2,465,503)</u>	
Net Assets, End of Year	<u>\$ (2,836,749)</u>	<u>\$ (2,836,749)</u>	<u>\$ (3,897,458)</u>	

SCHAFER GROUP, LTD.

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To Board of Supervisors of
Carter Plantation Community Development District

We have audited the financial statements of the business-type activities and each major fund of Carter Plantation Community Development District for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 30, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carter Plantation Community Development District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense and useful lives of capital assets is based on policy guidelines. We evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Assessment Methodology in Note 1 to the financial statements.

The disclosure of Benefit Special Assessments and Maintenance Special Assessments in Note 4 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified in the course of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 25, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

As of June 30, 2011, the District had negative net assets of \$3,897,458. The District had only \$61,410 in unrestricted cash and \$531,924 in restricted cash which is not sufficient to meet its operating needs or meet its obligations related to the Bonds. The District has used funds in the debt service reserve to pay interest on the outstanding Bonds in previous years and this amount has not been replenished. There were no lot sales in the District for this fiscal year or the prior fiscal year. The District continues to have a deficiency in the debt service reserve funds of all of the bond issues. The District has entered into forbearance agreements and levied maintenance assessments in fiscal year 2011. Despite these actions, the District's inability to generate sufficient operating capital or collect lot prepayments creates a substantial doubt about its ability to continue as a going concern.

During procedures described in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with government Auditing Standards*, we identified one material weakness in internal control over financial report as defined therein. This finding is described as Finding 2011-1 in the Schedule of Findings and Responses. Additionally, we discovered instances of noncompliance that are required to be reported under Government Auditing Standards and which are reported in the Schedule of Findings and Responses as Findings 2011-2 through 2011-7.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We noted no findings.

This information is intended solely for the use of the members of the board of Supervisors of Carter Plantation Community Development District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Schafer Group, LTD., LLC



Kernion T. Schafer, CPA
Managing Member

June 25, 2012